

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the period under review, the Group had issued 196,000,000 shares of the Company at HK\$0.064 each to Freparnetworks Inc. to acquire Drive Limited. The acquisition was completed in January 2005. Drive Limited generated turnover at approximately HK\$4.8 million and contributed gross profits at approximately HK\$11,000 to the Group.

In addition, the Group has entered into three agreements with Wansford Group Limited ("Wansford"), the minority shareholder of Mansion China Company Limited ("MCCL"), to dispose all the entire issued capital of two non wholly-owned subsidiaries, Alion Development Limited and Unique Profit Development Limited, and to acquire from Wansford 40% equity interest in MCCL. Details of the transaction are disclosed on the announcement dated 29 June 2005 and the circular dated 21 July 2005. The completion of this disposal has been taken place on 29 August 2005.

MAJOR TRANSACTIONS

In August 2005, the Group has entered into an equipment lease agreement with Quants Inc. (previously known as "e-Lux Corporation"), a shareholder of the Company holding 5.92% interest in the ordinary shares and 38.10% interest in the convertible preference shares of the Company as at the date of this report, pursuant to which the Group will lease 400 units of digital downloading machine, known as "H138R", for an initial term of 5 years. The Group also has entered in a management agreement with Freparnetworks Inc., also a shareholder of the Company holding 2.97% interest in the ordinary shares of the Company as at the date of this report. Both of the transactions contemplated under the agreements constitute major transactions for the Company under the Listing Rules and will be subject to the approval of the Company's shareholders at the special general meeting to be held on 23 September 2005. Details of the transactions are disclosed in the Company's announcement dated 12 August 2005 and the circular dated 8 September 2005.